


STATE OF WISCONSIN
Department of Health and Family Services
Division of Children and Family Services

To: Area Administrators/Human Services Area Coordinators
 Bureau Directors
 County Departments of Community Programs Directors
 County Departments of Developmental Disabilities Services Directors
 County Departments of Human Services Directors
 County Departments of Social Services Directors
 Section Chiefs
 Tribal Chairpersons/Human Services Facilitators

From: William R. Fiss 

Re: The Deficit Reduction Act of 2006

This memo provides an overview of the Federal Deficit Reduction Act of 2006 (DRA) and how it may affect Wisconsin's Title IV-E program. The DRA was signed into law on February 8, 2006 and amends many programs under the Social Security Act, including the Title IV-E Foster Care and Adoption Assistance programs. Some of the major amendments include:

Administrative claiming for Title IV-E eligible children residing with unlicensed relatives. Wisconsin includes Title IV-E eligible children in unlicensed placements (primarily Court-Ordered Kinship Care placements) in the calculation of the IV-E foster care eligibility or "penetration" rate for purposes of administrative cost claiming. The DRA eliminates the ability for states to claim state and county administrative costs associated with IV-E eligible children placed with unlicensed relatives. In Wisconsin, approximately 20% of the children in out-of-home care are in unlicensed placements. The Division of Children and Family Services estimates the federal change will reduce the Title IV-E claim by over \$10 million dollars annually effective March 1, 2006.

Under the DRA, states can claim administrative costs for relatives in the process of being licensed, up to the lesser of 12 months or the average period to complete licensing. The Division is currently evaluating options to determine the number of relatives in the licensing process and the average period of time to complete licensing. Documentation of licenses in process in eWiSACWIS will help to reduce some of the federal revenue loss.

Administrative costs for Title IV-E foster care candidates. Wisconsin currently claims Title IV-E administrative cost reimbursement for activities to prevent the placement of children in out-of-home care. Children at risk of placement are considered "candidates for foster care" and the reimbursable activities are determined using the Random Moment Time Study (RMTS). The current RMTS results are used to claim over \$13 million annually of IV-E administrative costs for prevention of placement activities. The RMTS questions include asking whether a court order or case plan is in effect for the child to show the child's case is being actively managed to prevent placement.

The DRA continues to permit states to claim Title IV-E administrative costs for candidates, but only for children at **imminent** risk of removal from home. The new DRA provisions will require Wisconsin to more thoroughly document that children are at imminent risk of removal from home in order to continue claiming administrative costs for children as candidates. The Division is currently conducting a review of in-home cases identified from the RMTS to analyze documentation of the risk of removal.

The DRA also requires that there be a determination of the status of children as candidates for foster care and a redetermination done every six months to show that the child is still at imminent risk of removal from

their home. The Division is currently evaluating options to most effectively document candidate status through case plans or other documents that are updated on a regular basis. In addition, the Division will analyze if other actions are needed to better support the IV-E claiming for prevention of placement activities.

Adoption Assistance Eligibility Criteria. The DRA clarifies that if a child is entering the Adoption Assistance program was determined AFDC eligible at the time of initial removal from their home, then the State is no longer required to make an additional AFDC eligibility determination / redetermination at the time that adoption proceedings are initiated. This provision will simplify IV-E eligibility determinations for adoption assistance cases and could enhance IV-E claiming for adoption assistance.

Impact on IV-E Incentive Program. The total amount of IV-E foster care revenue claimed by the State is allocated through the state budget process according to a hierarchy that includes DCFS operations such as the Bureau of Milwaukee Child Welfare; IV-E pass-through programs (to counties and UW Training Partnerships); and Community Aids (\$27.8 million of IV-E), and Youth Aids (\$1.4 million of IV-E) allocations to counties. The amount of IV-E revenue in excess of budgeted commitments is referred to as Income Augmentation funds and per s. 46.45(2), Wis. Stats., 50% of the Income Augmentation funds are allocated to counties through the IV-E Incentive Program for services to children who are at risk of abuse or neglect to prevent the need for intervention services and other services to children and families.

The Division maintains an account for the county share of Income Augmentation funds and IV-E Incentive Program allocations are determined for a three-year period in cooperation with the Wisconsin County Human Services Association (WCHSA). Based on the account balance in 2004, the annual allocations for the period of calendar years (CYs) 2005 – 2007 were set at \$9.83 million. Taking the September 2006 Income Augmentation Plan into account, the current balance in the account available for CY 2008 and subsequent years is \$10.0 million. The amount of additional IV-E funds that will be added to the IV-E Incentive Program account through future Income Augmentation plans is uncertain due to the impact of the DRA provisions on reducing IV-E revenue.

Implementation of DRA provisions. The Division will discuss the unlicensed relative and candidate issues with the Program Enhancement Plan (PEP) Out-of-Home Care and Case Process Committees. The Division will consult with WCHSA in determining future allocations for the IV-E Incentive Program.

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